

Ravenna Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2008

Ravenna Township

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As management of Ravenna Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Ravenna Township for the fiscal year ended June 30, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The General Fund fund balance increased \$59,724.

The Fire Fund fund balance increased \$21,980.

The Township received a federal grant of \$56,392 which enabled it to buy fire supplies and small equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Ravenna Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The Township does not currently have any business-type activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Ravenna Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Ravenna Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Fund, which are considered major funds. Data from the other fund is presented as an other governmental fund.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual revenues and expenditures for the General Fund and the Fire Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Ravenna Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2008, the Township's net assets from governmental activities totaled \$1,251,693.

The increase in current assets mirrors the increase in net assets. Capital assets decreased because current year depreciation expense exceeded capital asset additions as there were no major purchases this year. Current liabilities increased because the Township's annual road brining was done before year-end this year and was therefore payable. Noncurrent liabilities decreased as scheduled debt payments are made.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net assets are shown as restricted, meaning that they are subject to external restrictions on how they may be used. The unrestricted net assets for governmental activities actually depict a balance of \$421,717. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets

	Governmental Activities	
	2008	2007
Current assets	\$ 662,382	\$ 550,265
Capital assets	1,002,266	1,057,702
Total assets	1,664,648	1,607,967
Current liabilities	82,251	51,000
Noncurrent liabilities	330,704	370,841
Total liabilities	412,955	421,841
Net assets		
Invested in capital assets, net of related debt	631,562	648,861
Restricted	198,414	176,572
Unrestricted	421,717	360,693
Total net assets	\$ 1,251,693	\$ 1,186,126

Governmental Activities

Governmental activities net assets increased by \$65,568 during the 2008 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting net assets. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Operating grants and contributions are new this year as the Township is receiving payments from the new district library for the maintenance of its library facility. Capital grants and contributions are from a federal grant that was used to purchase various small equipment and supplies in the fire department. Property tax revenue is up this year compared to the prior year because of growth in the Township and increased taxable value. Public safety expense is up this year because of the purchases of supplies and small equipment from the aforementioned grant. Public works expenses are up because the summer 2007 and summer 2008 brinings were both done in this fiscal year.

Change in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues		
Charges for services	\$ 23,672	\$ 20,305
Operating grants and contributions	6,888	-
Capital grants and contributions	56,392	-
General revenues		
Property taxes	262,825	251,801
Grants and contributions not restricted	114,642	110,980
Unrestricted investments earnings	22,634	20,915
Miscellaneous	11,465	14,340
Total revenues	498,518	418,341
Expenses:		
General government	155,256	149,348
Public safety	197,016	124,255
Public works	43,950	22,780
Community and economic development	580	1,220
Culture and recreation	18,836	15,424
Interest on long term debt	17,313	13,050
Total expenses	432,951	326,077
Change in net assets	65,567	92,264
Net assets - Beginning	1,186,126	1,093,862
Net assets - Ending	\$ 1,251,693	\$ 1,186,126

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Ravenna Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Ravenna Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2008 fiscal year, Ravenna Township governmental funds reported a combined unreserved fund balance of \$611,831. This number represents the unreserved fund balance of \$433,417 in the General Fund, \$162,591 in the Fire Fund and \$15,823 in the Cemetery Perpetual Care Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been reserved. The Cemetery Fund has reserved \$20,000 for perpetual care. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$631,831, which consists of a fund balance of \$433,417 in the General Fund, \$162,591 in the Fire Fund and \$35,823 in the Cemetery Fund.

The General Fund is the chief operating fund of Ravenna Township and the other major fund is the Fire Fund. The General Fund fund balance is \$433,417, an increase of \$59,724 from the prior year. The Fire Fund fund balance is \$162,591, an increase of \$21,980 from the prior year. The reasons for the increases in fund balances in each of these funds are the same as noted above for the increase in overall net assets.

General Fund Budget

During the current fiscal year, the Township made only one significant budget amendment. The library and museum budget was amended from \$7,000 to \$12,000 due to additional planned improvements made at the library, such as shelving and a new door.

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

- Other revenues are \$6,959 more than budgeted because all payments from the district library were not budgeted.
- Road expenditures are \$14,130 more than budgeted because the summer brinings for both 2007 and 2008 occurred in the 2008 fiscal year and the Township only budgeted for one.

Capital Assets

Ravenna Township's investment in capital assets for its governmental activities as of June 30, 2008 totaled \$1,002,266 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements and vehicles and equipment.

Ravenna Township's capital asset additions included a thermal imager for \$6,266 and a defibrillator for \$2,170. Certain equipment from the Fire Fund was retired. Depreciation expense for the year was \$54,873.

Capital Assets

	Governmental Activities	
	2008	2007
Land	\$ 42,750	\$ 42,750
Land improvements	13,302	14,729
Buildings and improvements	629,996	649,292
Vehicles and equipment	316,218	350,931
Total	<u>\$ 1,002,266</u>	<u>\$ 1,057,702</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

Long-Term Debt

At the end of the 2008 fiscal year, Ravenna Township had total outstanding debt of \$370,704 consisting of two installment purchase agreements. The debt is backed by the full-faith and credit of the Township. The payment of this debt service is anticipated through the revenues generated from the Fire Fund millage.

Additional information on Ravenna Township's long-term debt can be found in Note F of the "Notes to Financial Statements" of this report.

General Economic Overview

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 80% of the General Fund's revenue sources. In fiscal 2009, both state revenue sharing and property taxes are expected to remain consistent with fiscal year 2008. Other revenues are also budgeted to be relatively consistent.

The Township expects General Fund expenditures in fiscal year 2009 to remain approximately the same as fiscal year 2008. The Township currently has no plans for significant capital purchases or improvements other than spending approximately \$6,000 on remodeling the Township hall and purchasing a piece of land on Schram Road for approximately \$3,300.

Requests for Information

This financial report is designed to provide a general overview of Ravenna Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ravenna Township, 3770 Blackmer Road, P.O. Box 153 Ravenna, MI 49451 (231) 853-6205.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

October 15, 2008

Township Board
Ravenna Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ravenna Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna Township, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 19 - 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Ravenna Township
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 624,880
Due from other governmental units	<u>37,502</u>
Total current assets	662,382
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	42,750
Depreciable	<u>959,516</u>
Total noncurrent assets	<u>1,002,266</u>
Total assets	1,664,648
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	42,251
Long-term liabilities, due within one year	<u>40,000</u>
Total current liabilities	82,251
NONCURRENT LIABILITIES	
Long-term liabilities, less amounts due within one year	<u>330,704</u>
Total liabilities	<u>412,955</u>
NET ASSETS	
Invested in capital assets, net of related debt	631,562
Restricted for:	
Fire protection	162,591
Perpetual care	
Expendable	15,823
Non-expendable	20,000
Unrestricted	<u>421,717</u>
Total net assets	<u><u>\$ 1,251,693</u></u>

The accompanying notes are an integral part of this statement.

Ravenna Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2008

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Governmental activities					
General government	\$ 155,256	\$ 9,753	\$ -	\$ -	\$ (145,503)
Public safety	197,016	13,919	-	56,392	(126,705)
Public works	43,950	-	-	-	(43,950)
Community and economic development	580	-	-	-	(580)
Culture and recreation	18,836	-	6,888	-	(11,948)
Interest on long-term debt	17,313	-	-	-	(17,313)
Total governmental activities	<u>\$ 432,951</u>	<u>\$ 23,672</u>	<u>\$ 6,888</u>	<u>\$ 56,392</u>	<u>(345,999)</u>
General revenues					
Property taxes, levied for					
General purposes					117,449
Specific purposes					145,376
Grants and contributions not restricted to specific programs					114,642
Unrestricted investment earnings					22,634
Miscellaneous					<u>11,465</u>
Total general revenues					<u>411,566</u>
Change in net assets					65,567
Net assets at July 1, 2007					<u>1,186,126</u>
Net assets at June 30, 2008					<u>\$ 1,251,693</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
BALANCE SHEET
 Governmental Funds
 June 30, 2008

	General Fund	Fire Fund	Other governmental fund	Total governmental funds
ASSETS				
Cash and investments	\$ 424,873	\$ 162,591	\$ 37,416	\$ 624,880
Due from other governmental units	37,502	-	-	37,502
Due from other funds	1,593	-	-	1,593
Total assets	<u>\$ 463,968</u>	<u>\$ 162,591</u>	<u>\$ 37,416</u>	<u>\$ 663,975</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 30,551	\$ -	\$ -	\$ 30,551
Due to other funds	<u>-</u>	<u>-</u>	<u>1,593</u>	<u>1,593</u>
Total liabilities	30,551	-	1,593	32,144
Fund balances				
Reserved for perpetual care	-	-	20,000	20,000
Unreserved				
General Fund	433,417	-	-	433,417
Special revenue funds	-	162,591	-	162,591
Permanent fund	<u>-</u>	<u>-</u>	<u>15,823</u>	<u>15,823</u>
Total fund balances	<u>433,417</u>	<u>162,591</u>	<u>35,823</u>	<u>631,831</u>
Total liabilities and fund balances	<u>\$ 463,968</u>	<u>\$ 162,591</u>	<u>\$ 37,416</u>	<u>\$ 663,975</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
June 30, 2008

Total fund balance—governmental funds	\$	631,831
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,343,906	
Accumulated depreciation	<u>(341,640)</u>	1,002,266

Accrued interest in governmental activities is not reported in the governmental funds.		(11,700)
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Long-term liabilities in governmental activities are not due and payable in the
current period and are not reported in the governmental funds.

Installment purchase agreements		<u>(370,704)</u>
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Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>1,251,693</u></u>
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The accompanying notes are an integral part of this statement.

Ravenna Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2008

	General Fund	Fire Fund	Other governmental fund	Total governmental funds
REVENUES				
Property taxes	\$ 117,449	\$ 145,376	\$ -	\$ 262,825
Licenses and permits	4,973	-	-	4,973
Intergovernmental revenues				
Federal	-	56,392	-	56,392
State	114,642	-	-	114,642
Charges for services	8,178	8,946	1,575	18,699
Investment earnings	19,713	1,116	1,805	22,634
Other	17,059	1,294	-	18,353
Total revenues	282,014	213,124	3,380	498,518
EXPENDITURES				
Current				
General government	140,685	-	-	140,685
Public safety	8,510	130,958	-	139,468
Public works	43,380	-	-	43,380
Community and economic development	580	-	-	580
Culture and recreation	16,311	-	-	16,311
Other governmental functions	11,342	-	-	11,342
Debt service				
Principal	-	38,137	-	38,137
Interest and fees	-	18,613	-	18,613
Capital outlay	-	8,436	-	8,436
Total expenditures	220,808	196,144	-	416,952
Excess of revenues over (under) expenditures	61,206	16,980	3,380	81,566
OTHER FINANCING SOURCES (USES)				
Transfers in	3,518	5,000	-	8,518
Transfers out	(5,000)	-	(3,518)	(8,518)
Total other financing sources (uses)	(1,482)	5,000	(3,518)	-
Net change in fund balances	59,724	21,980	(138)	81,566
Fund balances at July 1, 2007	373,693	140,611	35,961	550,265
Fund balances at June 30, 2008	\$ 433,417	\$ 162,591	\$ 35,823	\$ 631,831

The accompanying notes are an integral part of this statement.

Ravenna Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2008

Net change in fund balances—total governmental funds	\$	81,566
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(54,873)	
Capital outlay		<u>8,436</u>	(46,437)

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.	(8,999)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	38,137
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	<u>1,300</u>
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Change in net assets of governmental activities	\$ <u><u>65,567</u></u>
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The accompanying notes are an integral part of this statement.

Ravenna Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 June 30, 2008

	<u>Trust and Agency</u>	<u>Current Tax Account</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ <u>50</u>	\$ <u>509</u>	\$ <u>559</u>
LIABILITIES			
Due to other governmental units	\$ -	\$ 509	\$ 509
Other liabilities	<u>50</u>	<u>-</u>	<u>50</u>
Total liabilities	\$ <u>50</u>	\$ <u>509</u>	\$ <u>559</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ravenna Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for the special tax millage levied by the Township for operation of the fire department.

The Township only has one other governmental fund, the Cemetery Perpetual Care Fund.

Additionally, the Township reports the following fund type:

The agency funds account for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Township totaled approximately \$72,688,000. The ad valorem taxes levied consisted of 1.2021 mills and 2.0 mills for the Township's general operating and fire operating purposes. These amounts are recognized in the General Fund and the Fire Fund, respectively.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets

Capital assets, which include property and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-20
Buildings and improvements	20-40
Vehicles and equipment	5-20

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to June 30, the Township Board reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. The budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended June 30, 2008, actual expenditures exceeded appropriations for roads in the General Fund by \$14,130 and public safety and capital outlay in the Fire Fund by \$48,557 and \$6,926, respectively. These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2008, \$526,316 of the Township's bank balance of \$627,083 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 42,750	\$ -	\$ -	\$ 42,750
Capital assets, being depreciated:				
Land improvements	22,767	-	-	22,767
Buildings and improvements	736,900	-	-	736,900
Vehicles and equipment	565,974	8,436	32,921	541,489
Total capital assets, being depreciated	1,325,641	8,436	32,921	1,301,156
Less accumulated depreciation:				
Land improvements	8,038	1,427	-	9,465
Buildings and improvements	87,608	19,296	-	106,904
Vehicles and equipment	215,043	34,150	23,922	225,271
Total accumulated depreciation	310,689	54,873	23,922	341,640
Total capital assets, being depreciated, net	1,014,952	(46,437)	8,999	959,516
Capital assets, net	\$ 1,057,702	\$ (46,437)	\$ 8,999	\$ 1,002,266

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense has been charged to functions as follows:

General government	\$ 6,234
Public safety	45,544
Public works	570
Culture and recreation	<u>2,525</u>
	<u>\$ 54,873</u>

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008 is as follows:

Due to/from other funds:

The Cemetery Fund owes the General Fund \$1,593 for operations.

Interfund transfers:

The Cemetery Fund transferred \$3,518 to the General Fund for cemetery operations. The General Fund transferred \$5,000 to the Fire Fund for a future vehicle purchase.

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended June 30, 2008.

	Balance July 1, 2007	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2008	Due within one year
Governmental activities:					
Installment purchase agreements	\$ 408,841	\$ -	\$ 38,137	\$ 370,704	\$ 56,700

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Installment purchase agreements:

\$423,580 2002 Installment Purchase Agreement; due in annual installments of \$38,400 including interest through July 2017; interest at 4.29%	\$ 278,083
 \$105,550 Installment Purchase Agreement; due in annual installments of \$18,301 including interest through May 2014; interest at 5%	 <u>92,621</u>
	<u>\$ 370,704</u>

Annual debt service requirements to maturity for debt outstanding as of June 30, 2008, follows:

Year ending December 31,	Governmental activities	
	Principal	Interest
2009	\$ 40,000	\$ 16,619
2010	42,000	14,790
2011	44,000	12,878
2012	46,000	10,878
2013	48,000	8,786
2014-2017	<u>150,704</u>	<u>15,481</u>
	<u>\$ 370,704</u>	<u>\$ 79,432</u>

NOTE G—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE H—PENSION PLANS

Defined Contribution Pension Plan

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers all of its elected officials. The Township contributes 10 percent of each eligible employee's salary to the plan. Participants are not required to contribute to the plan. The Township's contribution for the year ended June 30, 2008 was approximately \$4,950.

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 41 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Ravenna Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 113,000	\$ 113,000	\$ 117,449	\$ 4,449
Licenses and permits	9,130	9,130	4,973	(4,157)
Intergovernmental revenues - State	116,000	116,000	114,642	(1,358)
Charges for services	10,700	10,700	8,178	(2,522)
Investment earnings	15,000	15,000	19,713	4,713
Other	10,100	10,100	17,059	6,959
Total revenues	273,930	273,930	282,014	8,084
EXPENDITURES				
Current				
General government				
Township board	9,170	9,170	10,092	(922)
Supervisor	9,450	9,450	9,350	100
Elections	5,000	5,000	1,013	3,987
Board of review	800	800	855	(55)
Clerk	18,775	18,775	19,078	(303)
Treasurer	19,775	19,775	19,785	(10)
Assessor	16,000	16,000	15,985	15
Administration	28,150	28,150	28,711	(561)
Cemetery	17,500	17,500	17,420	80
Building and grounds	18,500	18,500	18,396	104
Public safety				
Inspection department	12,200	12,200	8,510	3,690
Public works				
Roads	29,250	29,250	43,380	(14,130)
Community and economic development				
Zoning	1,200	1,200	580	620
Culture and recreation				
Library and museum	7,000	12,000	13,005	(1,005)
Community services	3,950	3,950	3,306	644
Other governmental functions				
Insurance	10,000	10,000	8,641	1,359
Payroll benefits	5,000	5,000	2,701	2,299
Total expenditures	211,720	216,720	220,808	(4,088)
Excess of revenues over (under) expenditures	62,210	57,210	61,206	3,996
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,518	3,518
Transfers out	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	(5,000)	(5,000)	(1,482)	3,518
Net change in fund balance	\$ 57,210	\$ 52,210	59,724	\$ 7,514
Fund balance at July 1, 2007			373,693	
Fund balance at June 30, 2008			\$ 433,417	

Ravenna Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended June 30, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 139,262	\$ 139,262	\$ 145,376	\$ 6,114
Intergovernmental revenues - Federal	-	-	56,392	56,392
Charges for services	-	-	8,946	8,946
Investment earnings	-	-	1,116	1,116
Other	1,349	1,349	1,294	(55)
Total revenues	140,611	140,611	213,124	72,513
EXPENDITURES				
Current				
Public safety	82,401	82,401	130,958	(48,557)
Debt service				
Principal	38,137	38,137	38,137	-
Interest and fees	18,613	18,613	18,613	-
Capital outlay	1,510	1,510	8,436	(6,926)
Total expenditures	140,661	140,661	196,144	(55,483)
Excess of revenues over (under) expenditures	(50)	(50)	16,980	17,030
OTHER FINANCING SOURCES				
Transfers in	5,000	5,000	5,000	-
Net change in fund balance	\$ 4,950	\$ 4,950	21,980	\$ 17,030
Fund balance at July 1, 2007			140,611	
Fund balance at June 30, 2008			\$ 162,591	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

October 15, 2008

Township Board
Ravenna Township
Muskegon, Michigan

In planning and performing our audit of the financial statements of the Ravenna Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Ravenna Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Township Board, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: Payroll time sheets should be reviewed and approved by appropriate officials prior to the processing of payroll.

Payroll time cards for some Township employees are currently not formally reviewed and approved.

Formal review and approval of time cards would reduce the possibility of unauthorized payroll disbursements going undetected.

Recommendation 2: Property tax revenues should be reconciled against the County of Muskegon settlement reports on an annual basis.

During our audit, we noted that the Township had not reconciled its property tax revenue against the County settlement. Consequently, the Township was not aware that some of the monies paid to the General Fund by the Current Tax Fund were actually owed to other governmental entities.

The annual reconciliation of property tax revenue against the County of Muskegon settlement reports would ensure that the Township receives all of its property tax revenue and distributes all monies held for other governmental entities to them.

Recommendation 3: The Township should distribute all monies owed other governmental units on a timely basis.

During our audit, we noted that the Township was holding monies for other governmental entities at year end. The General Property Tax Act of the State of Michigan requires that the Township distribute property tax collections to other governmental units for which it collects within 10 business days of the first and fifteenth day of each month. In addition, the Township is required to make all distributions by April 1 of each year.

The timely distribution of funds collected by the Township would ensure compliance with the General Property Tax Act of the State of Michigan.

Recommendation 4: Budgets should be amended to ensure compliance with State law.

Michigan Public Act 621 of 1978 (Act 621) requires that budgets be amended before any expenditures exceed the budget and that budgets be amended as soon as a deviation is apparent. During our testing, we noted that the Township had not amended its budget to reflect grant activity in the Fire Fund.

Amending budgets to prevent expenditures from exceeding budget would ensure compliance with Act 621.